



REQUEST FOR QUOTATION No. AL05-07; RANDOM NUMBER GENERATOR

ARIZONA LOTTERY
4740 E. University Dr.
Phoenix, Arizona 85034
Phone (480) 921-4400
Fax (480) 921-4425

Quote Request is due October 13, 2004, 5:00 P.M.

Solicitation Contact Person: Larry Gavel, 480-921-4474

The Undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, specifications and amendments in the solicitation. Failure to provide a valid signature shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.

Signature, Authorized Vendor Representative Date

Printed/Typed Name and Title

Company Name

Address

Phone No.

FAX No

Address

A.A.C. R2-7-335 requires, when practical, purchases estimated to cost between \$1,000 and \$50,000 shall be restricted to small businesses. Is the company a small business (the company and its affiliates, employs less than 100 full time employees or has gross annual receipts of less than \$4,000,000 in its last fiscal year)? YES _____ NO _____

Executive Order 2000-04 and 2003-09 requires for purchases estimated to cost between \$1,000 and \$25,000 shall be sought from at least one small minority or woman owned business. Is the company a woman or minority owned business (51% of more woman or minority owned)? YES _____ NO _____

Description of Material or Service, Instructions & Special Terms and Conditions

I. SERVICE DESCRIPTION - The Arizona Lottery is a state agency located at 4740 E. University Dr., Phoenix, AZ. The Lottery needs a random number generator (RNG) installed. This shall include documentation, training, and on-going support. The RNG must be designed and delivered so that it is secure and can be easily operated by Lottery personnel. The system shall include three stand-alone personal computers, printers and monitors and the necessary cabling. The system shall be capable of producing drawing results that can be transferred to different sources without compromising the integrity of the drawing process. The anticipated launch of an RNG for Arizona Lottery drawings is December 2004.

II. MINIMUM REQUIREMENTS - At a minimum the RNG shall include:

1. Printable documentation of self diagnostic tests to provide assurance of secure and verifiable randomness functionality prior to and after every draw that includes a unique time stamp of each test;
2. Storage of unalterable activity logs that can be transferred to CD, viewed and printed;
3. Source code and compilers are not to be used or stored on the production system at any time;
4. 128 bit encryption;
5. Dual control for the generation of draws;

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6. Qualified third-party certification of random generation of winning numbers from a matrix of numbers defined by each individual online game;

7. Three identical computer systems to support on-site redundancy and off-site backup; two at the Arizona Lottery drawing site and one at an off-site location to be determined by the Arizona Lottery (within a 10 mile radius of the Lottery;)

8. The RNG shall be capable of being modified so as to be able to support multiple, different games with potential differing prize and payout structures. Any such modification shall be certifiable as to the fairness of the drawing.

9. The Contractor shall provide maintenance, update, support and modification of the system or its components as needed; and

10. Operational/Procedural manuals and training.

III. INSTRUCTIONS

A. The Instructions to Bidders and Terms and Conditions should be reviewed and understood before preparing a response. Offeror shall provide:

1. The information requested on page 1,

2. System Description - A detailed description of the system's features and how they work. At a minimum the Offeror should describe all of the functional aspects of the RNG listed under section II above, MINIMUM REQUIREMENTS, and a timeline for implementation.

The system description should be limited to addressing the specifics of what the system does and how it works. Attempts to reiterate the Offeror's qualifications/experience will be looked upon negatively. Vague descriptions or simple confirmations that the Offeror meets the needs of the Lottery will be looked upon negatively. The response is limited to ten (10) pages, single-sided with one-inch margins and number 12 font.

3. Pricing - The Offeror shall provide negotiable pricing options that cover the initial start-up costs for the RNG (licensing, hardware, installation and training) and continued maintenance, support and upgrades to the hardware and software.

4. Describe the company's experience and expertise in developing and maintaining random number generators. The response is limited to five (5) pages, single-sided with one-inch margins and number 12 font.

5. Provide the name, position currently held in the company, experience and certification for each key person who will be responsible under this contract, if awarded, for installation, maintenance and support of the RNG.

6. A comprehensive credit report from Experian. To obtain a business credit report/profile, the offeror may call 1-888-211-0728, option #4. The business credit report cannot be obtained on-line. What is available at the Experian website is the "snapshot" credit report, which is not acceptable.

7. References from three companies to whom the Offeror is currently providing service.

B. Return page one and the information requested to 4740 E. University Dr., Phoenix, Arizona 85034, Attention: Larry Gavel or Fax it to 480-921-4425 by the date indicated at the top of page one. Please reference the Contact Person's name and the RFQ number on the outside of the return envelop.

C. Evaluation

A. Award shall be made to the responsible Offeror whose proposal is determined in writing to be the most advantageous to the Lottery and is in conformance with all Terms and Conditions and all other RFQ requirements based on the following criteria which are listed in the relative order of importance:

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1. The functional ability of the RNG in producing random numbers and its security
2. Experience and qualifications of the organization and personnel;
3. The RNG system's suitability for the Lottery; and
4. Cost.

IV. SPECIAL TERMS AND CONDITIONS

A. WARRANTY - The Contractor guarantees the work against all defects in materials and workmanship which develop or are discovered within one year from implementation of the RNG system.

B. TERM OF CONTRACT - The term of the Contract shall commence on date of contract award by the Lottery and shall remain in effect through June 30, 2008, unless terminated or canceled otherwise provided herein.

C. PRICE INCREASES - Prices shall be good through June 30, 2006. Prior to June 1, 2006, the Contractor may request price increases not in excess of the Consumer Price Index (CPI), for All Urban Consumers, for the 12 month period ending December 31 of each year, expressed as a percentage times the current contract rate. Any proposed price increase shall be subject to the acceptance and approval of the Lottery.

D. INSURANCE

1. Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

2. The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

3. **MINIMUM SCOPE AND LIMITS OF INSURANCE** - Contractor shall provide coverage with limits of liability not less than those stated below.

a. Commercial General Liability – Occurrence Form

Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.

i.	General Aggregate	\$2,000,000
ii.	Products – Completed Operations Aggregate	\$1,000,000
iii.	Personal and Advertising Injury	\$1,000,000
iv.	Blanket Contractual Liability – Written and Oral	\$1,000,000
v.	Fire Legal Liability	\$ 50,000
vi.	Each Occurrence	\$1,000,000

vii. The policy shall be endorsed to include the following additional insured language: "The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor".

viii. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

b. **Automobile Liability** - Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

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i. Combined Single Limit (CSL) \$1,000,000

ii. The policy shall be endorsed to include the following additional insured language: "The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor".

c. **Worker's Compensation and Employers' Liability**

i. Workers' Compensation	Statutory
ii. Employers' Liability	
Each Accident	\$ 500,000
Disease – Each Employee	\$ 500,000
Disease – Policy Limit	\$1,000,000

iii. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

iv. This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. 23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

d. **Professional Liability (Errors and Omissions Liability)**

i. Each Claim	\$1,000,000
ii. Annual Aggregate	\$2,000,000

iii. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

iv. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

v. The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this contract.

4. ADDITIONAL INSURANCE REQUIREMENTS - The policies shall include, or be endorsed to include, the following provisions:

a. The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees wherever additional insured status is required such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Contract.

b. The Contractor's insurance coverage shall be primary insurance with respect to all other available sources.

c. Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.

5. NOTICE OF CANCELLATION - Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty

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(30) days prior written notice has been given to the State of Arizona. Such notice shall be sent directly to (State of Arizona Department Representative's Name AND Address) and shall be sent by certified mail, return receipt requested.

6. ACCEPTABILITY OF INSURERS - Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A-VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

7. VERIFICATION OF COVERAGE - Contractor shall furnish the State of Arizona with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

All certificates and endorsements are to be received and approved by the State of Arizona before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to the Procurement Manager of the Arizona Lottery. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time. **DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATE OF ARIZONA'S RISK MANAGEMENT SECTION.**

8. SUBCONTRACTORS - Contractors' certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall furnish to the State of Arizona separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

E. INDEMNIFICATION CLAUSE

Contractor shall indemnify, defend, save and hold harmless the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents and employees for losses arising from the work performed by the Contractor for the State of Arizona.

F. SECURITY CLEARANCE - A security clearance may be required of the Contractor and of all employees of the Contractor or subcontractor who will have access to the facilities or operations of the Arizona Lottery.

G. PRICING - The pricing shall be the best net price, FOB destination, to include all delivery charges, but exclude applicable taxes.

INSTRUCTIONS TO BIDDERS AND TERMS & CONDITIONS

1. **SUBMISSION:** Quotations shall be signed by the offeror where applicable and delivered as designated no later than the date and time indicated on the first page of the document.
2. **OPENING:** This is an informal quotation which will not be read at a public opening; however, the information may be publicly reviewed after an award.
3. **STANDARD PROVISIONS:** The State of Arizona's Uniform Instructions to Offerors and Uniform Terms and Conditions, where applicable, are a part of this document as if fully set forth herein. Copies of these documents are available from the Lottery Procurement Office.
4. **TAXES:** The State of Arizona is exempt from Federal Excise Tax, including the Federal Transportation Tax. Sales Tax, if any, shall be indicated as a separate item.
5. **BID REJECTION:** The State reserves the right to reject any, or all, bids, combinations of items, or lot, and to waive defects or informalities.
6. **BRAND NAMES:** Any manufacturer's names, trade names, brand names or catalog numbers used in the specifications are for the purpose of describing and establishing the general quality level, design and performance desired. Such references are not intended to limit or restrict bidding by other vendors but are intended to approximate the quality design or performance which is desired. Any bid which proposes like quality, design or performance will be considered. If the description of your offer differs in any way, you must give a complete detailed description of your quotation including pictures and literature where applicable. Unless a specific exception is made, the assumption will be that you are bidding exactly as specified on the Request of Quotation.
7. **ERASURE:** Erasures, interlineation or other modifications must be initialed by the individual signing the Request for Quotation.
8. **UNIT PRICE:** In case of error in the extension prices in the Quotation, the unit price will govern. No Quotation shall be altered, amended or withdrawn after the specific date and time for receiving Quotations. Negligence by the vendor in preparing the Quotation confers no right for the withdrawal of the quotation after it has been opened.
9. **PAYMENT:** The state will make every effort to process payment for the purchase of goods or services within thirty (30) calendar days after receipt of goods or services and a correct notice of amount due, unless a good faith dispute exists as to any obligation to pay all or a portion of the account. Any offer that requires payment in less than thirty (30) calendar days shall not be considered.
10. **PAYMENT DISCOUNT:** Payment discount periods will be computed from the date of receipt of material/service or correct invoice, whichever is later, to the date Buyer's warrant is mailed. Unless freight and other charges are itemized, any discount provided will be taken on full amount of invoice. Payment discounts of thirty (30) calendar days or more will be deducted from the bid price in determining the low bid. However, the buyer shall be entitled to take advantage of any payment discount offered by the Vendor provided payment is made within the discount period.
11. **ARIZONA PROCUREMENT CODE:** The Arizona Procurement Code (A.R.S. §Title 41), Chapter 23 is available at most public libraries; A.C.C.R. Title 2, Chapter 7 may be purchased from the Arizona Secretary of State; and both are available for review at the Lottery Procurement Office.
12. **REASONS FOR CANCELLATION:** Failure to provide materials, supplies or instruments in accordance with specifications or failure to meet the stated delivery commitment, shall be cause for IMMEDIATE cancellation of the contract.